



# ***The Value of Corporate Sustainability***

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# Is this you?



# One Goal This Morning



# Overview

- Introductions
- Shared Value & Corporate Sustainability
- Global Macro-Trends
- Examples of Corporate Sustainability Solutions
- Best Practices

# Who I Am

- Formerly a **Banker**
- UC Berkeley **Professor** since 2002
- Now: **Corporate Sustainability/ Investing in Women** expertise
- Founded ***Center for Responsible Business*** (**#1** by Financial Times)
- Global **speaker**, corporate **consultant**, executive **education**, & corporate **boards**





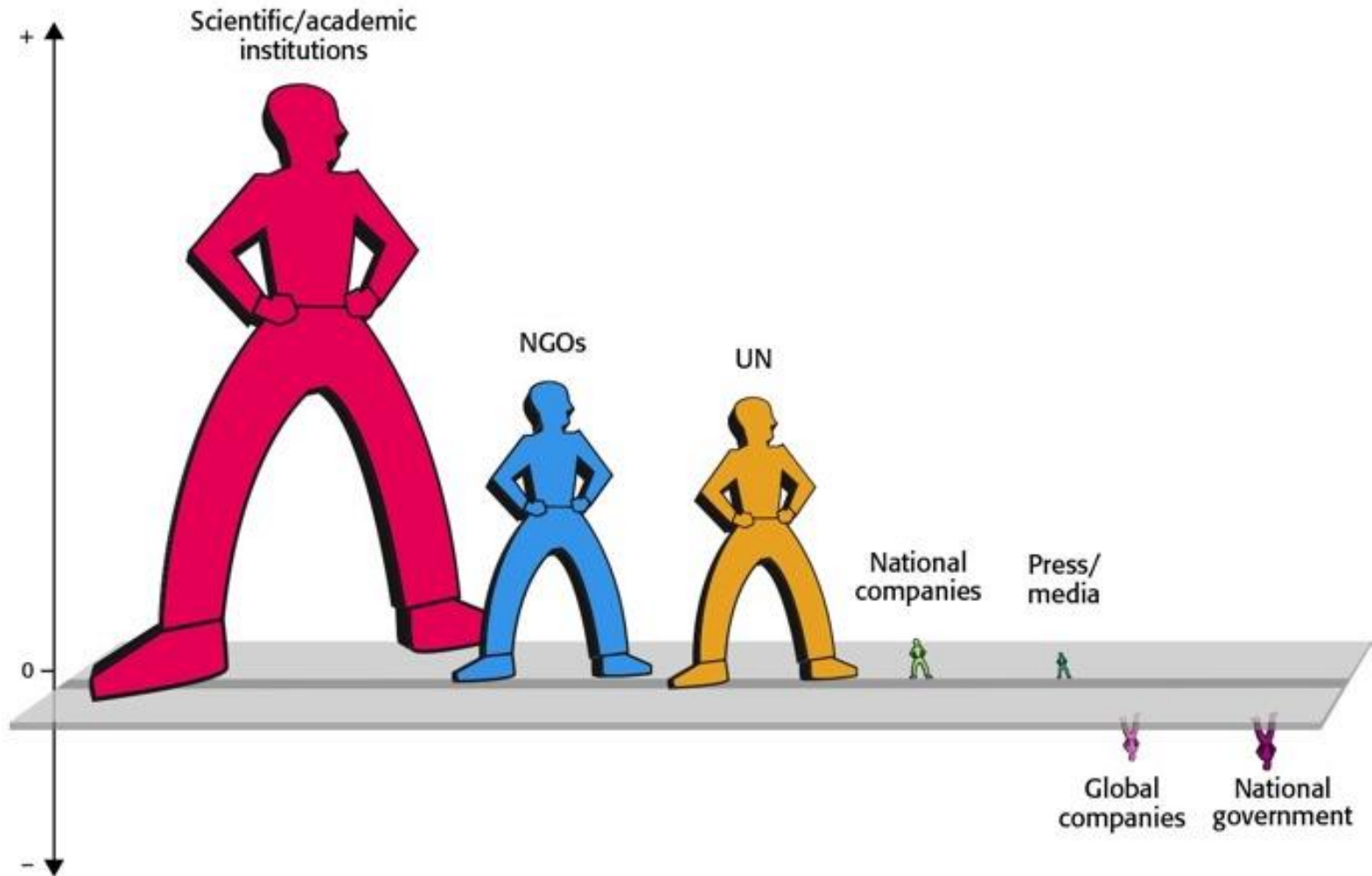
# And a Proud Mom...



**Who Are You?**

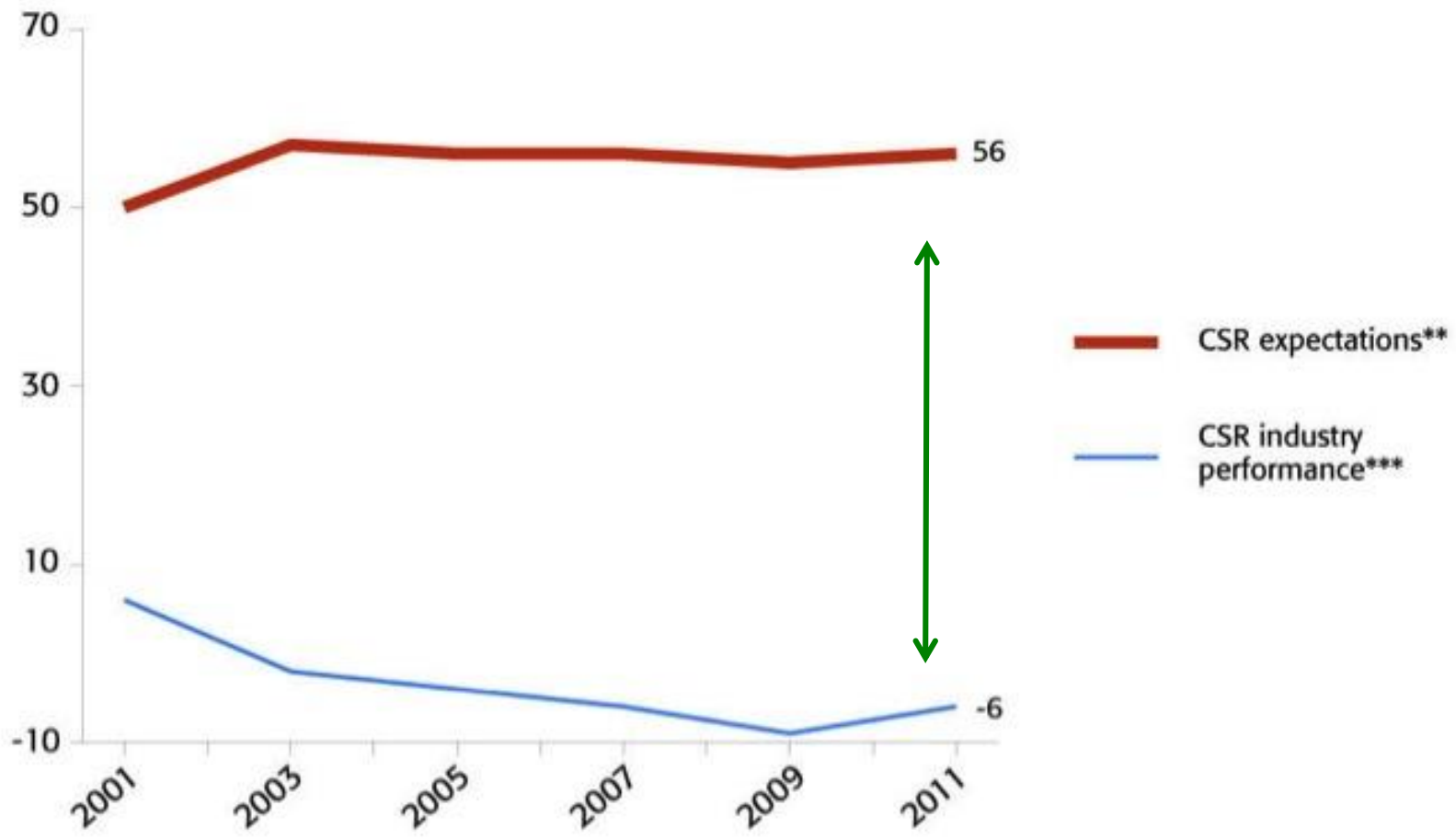
# Low Trust

Net Trust\* in Institutions  
Average of 22 Countries,\*\* 2014





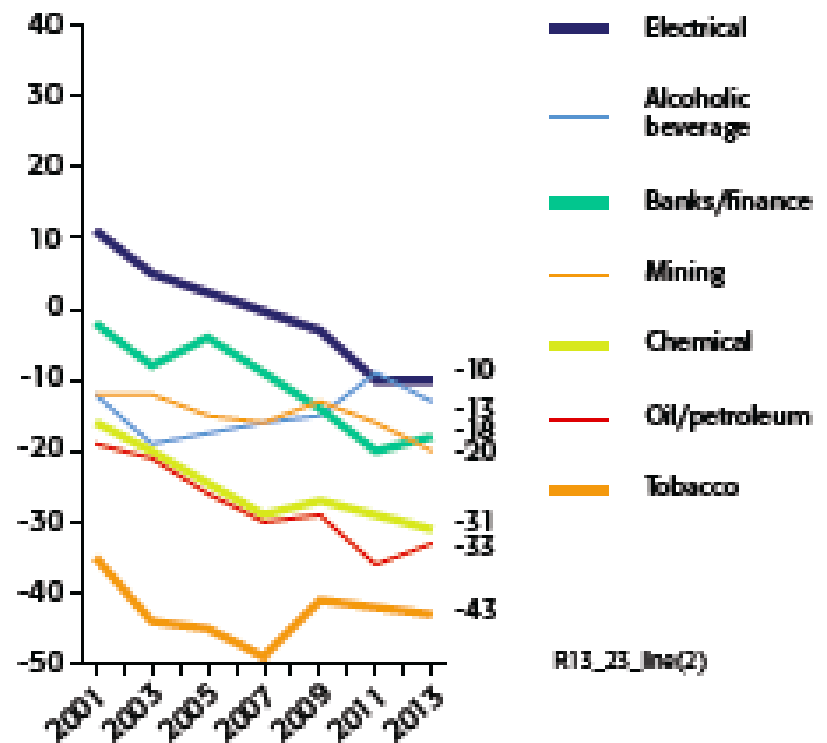
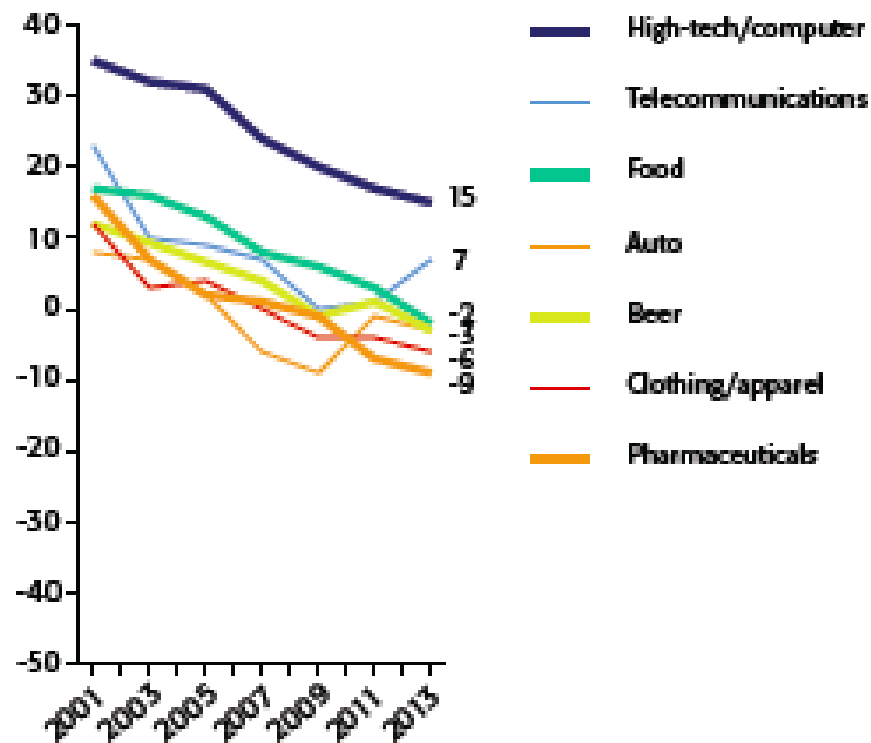
# Not Minding the Gap



# Performance is Down

## CSR Performance of Industry Sectors

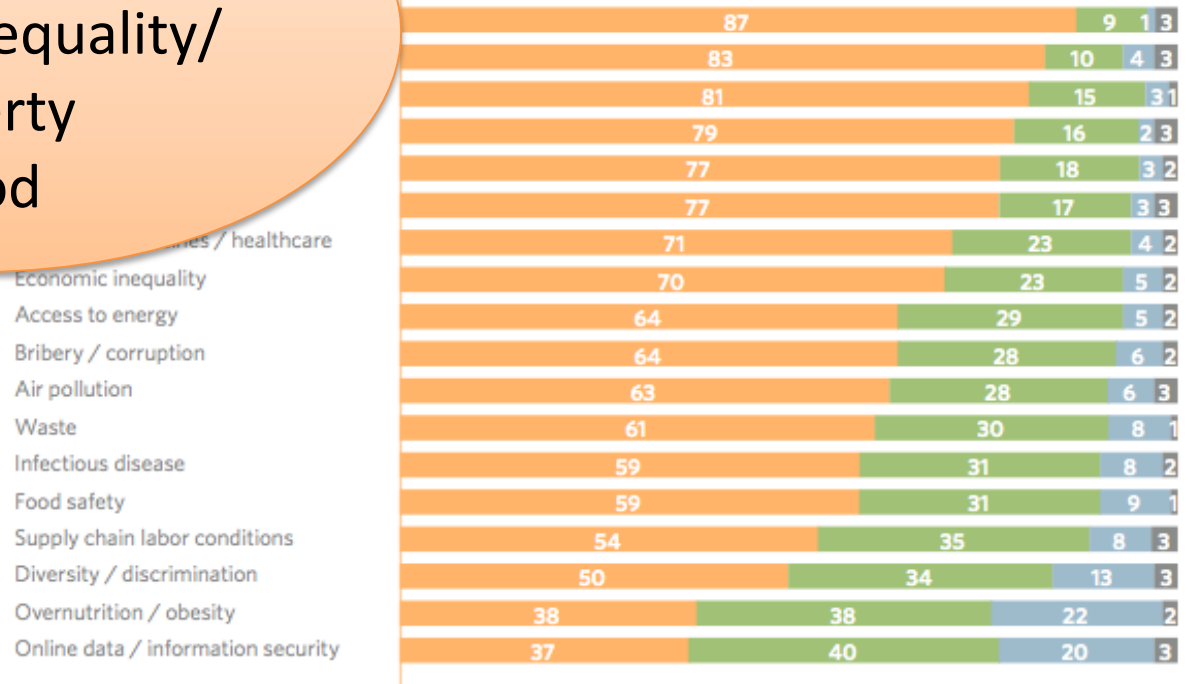
Net,\* Average of 11 Countries,\*\* 2001–2013



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# Addressing Most Urgent Issues?

Water  
Climate Change  
Income Inequality/  
Poverty  
Food



Source: A GlobeScan/SustainAbility survey 2013



Urgent (4+5)



Neutral (3)



Not urgent (1+2)



DK / NA



# Bad Company News Leads





# Public View on Business



# **So Many Definitions**

# Capitalism



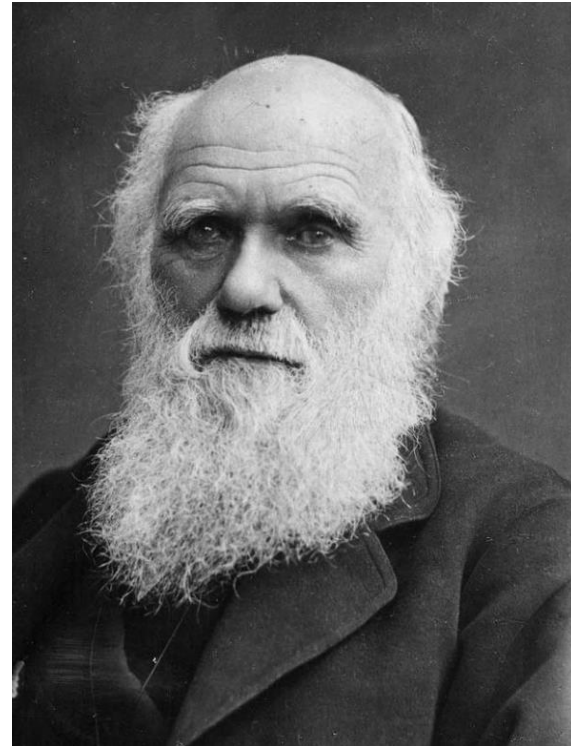
Milton Friedman

- The business of business is business
- Companies should be *self-interest maximizers*
- "The social responsibility of business is to make profit"

# Sustainable Capitalism

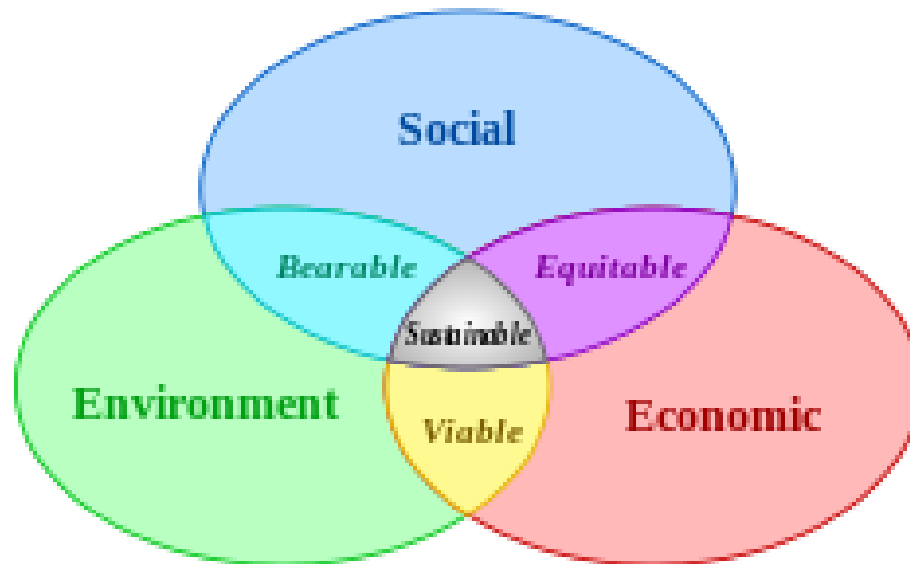
***“Who survives?  
Those most  
adaptable to  
change.”***

- Charles Darwin



# SUSTAINABLE DEVELOPMENT

“Development that meets the needs of the present without compromising the ability of future generations to meet their own needs”



Sources: Our Common Future, Report of the Brundtland Commission, 1987. Diagram from Adams, W.M. 2006. The Future of Sustainability.



# Shared Value

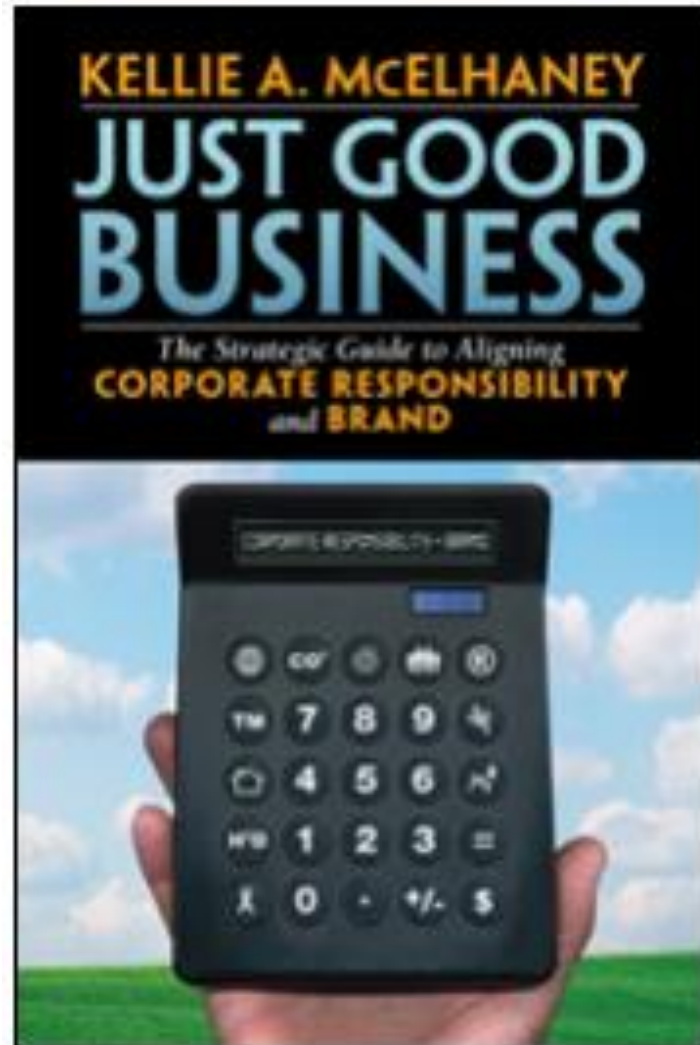


Michael Porter



***“The purpose of the corporation must be redefined as creating shared value, not just profit.”***

# YOU GET ME & MY DEFINITION THIS YEAR...



# Corporate Sustainability

A business strategy that:

**Creates value**

**Protects value**

for the company and for society.

It is about using the power of  
business  
to improve the world.

# Corporate Sustainability

**A business strategy that fits:**

## **1. Business objectives of the company**

**(increase profit, engage employees, win customers, enter new markets, etc.)**

## **2. What a company does**

**(sells consumer products, banking, makes food, builds computers, etc.)**

# Corporate Sustainability = Fit

**Banks  $\neq$  toys at Christmas**

**Banks = teaching people financial literacy**

**Technology companies  $\neq$  feeding the hungry.**

**Technology companies = giving the underserved  
access to technology & teaching them to use it**



**Corporate Sustainability is not about  
how you spend the money  
you make.**

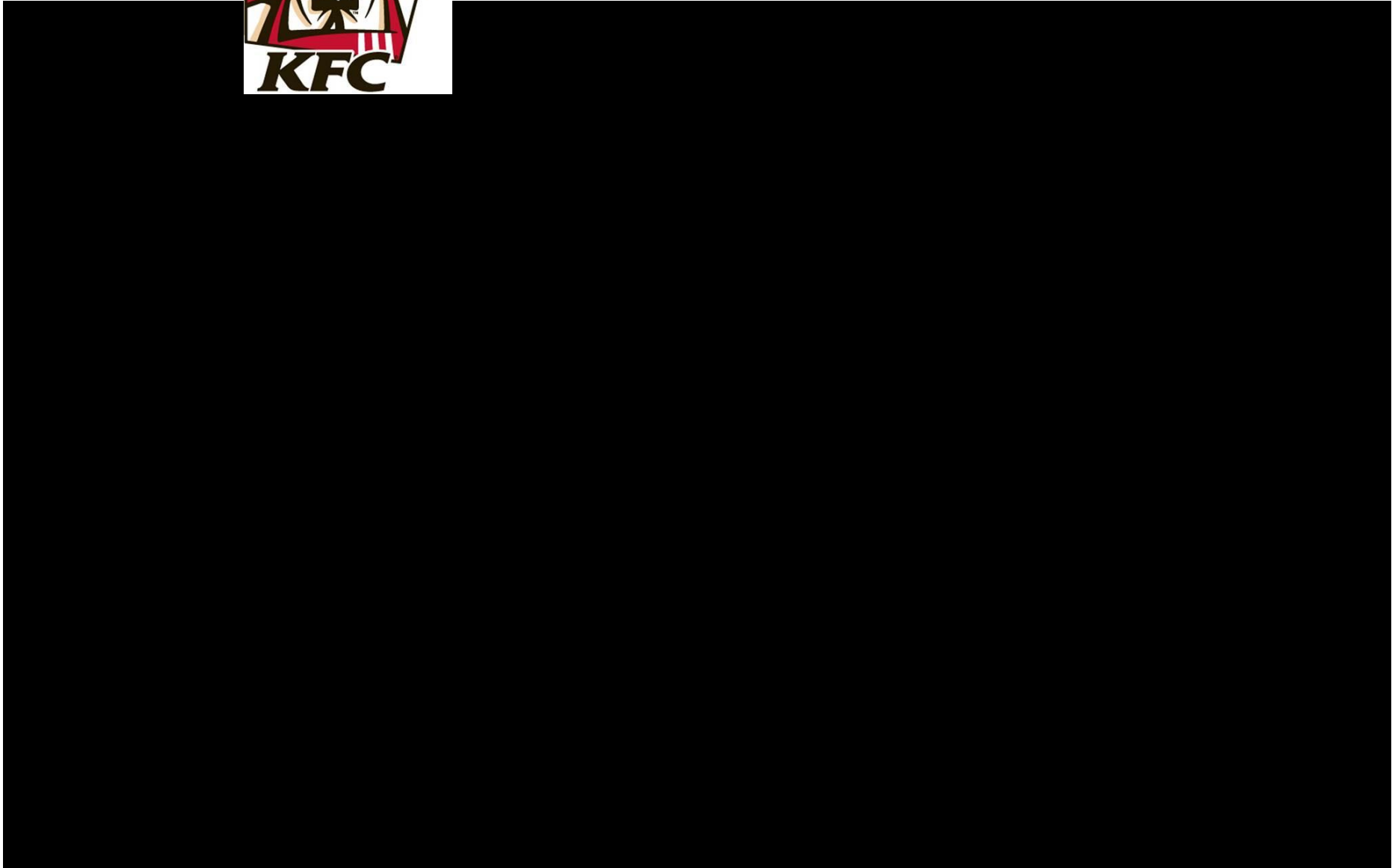


**It's about how you make  
the money you spend.**



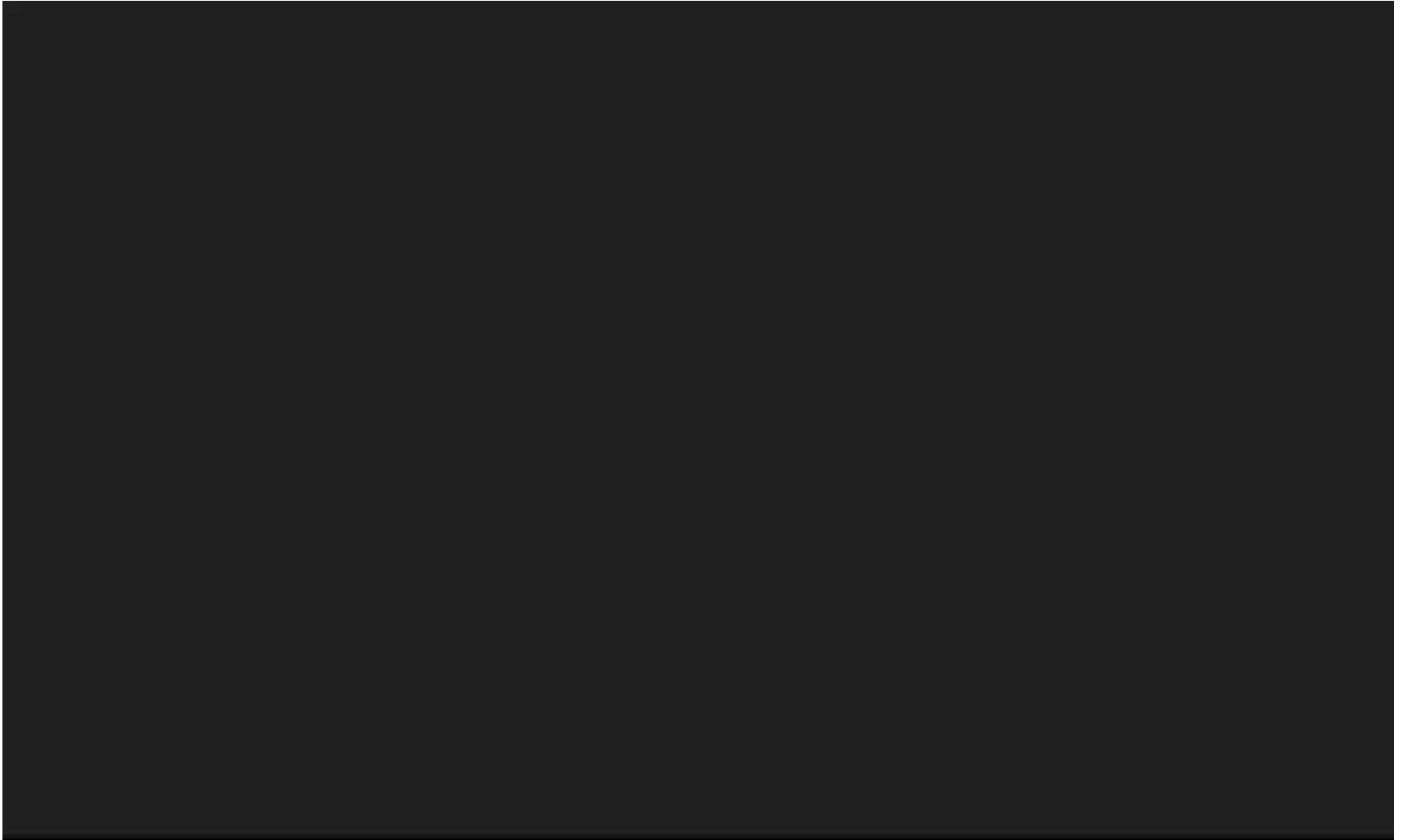


# Fails





# Wins



# Corporate Sustainability Is:

- A Brand Strategy
- A Risk Saving Strategy
- An Employee Hiring, Engagement & Retention Strategy
- A Community trust strategy
- A Product/ Process Innovation Strategy
- A Profitability/ Growth Strategy
- A Market Entrance Strategy
- A Reputation Improvement Strategy
- A Long Term Business Success Strategy

# **Global Macro Trends for Business**



# We Are Destroying the Planet



*"Yes, the planet got destroyed. But for a beautiful moment  
in time we created a lot of value for shareholders."*

# You Manage in a VUCA World

**V**olatile

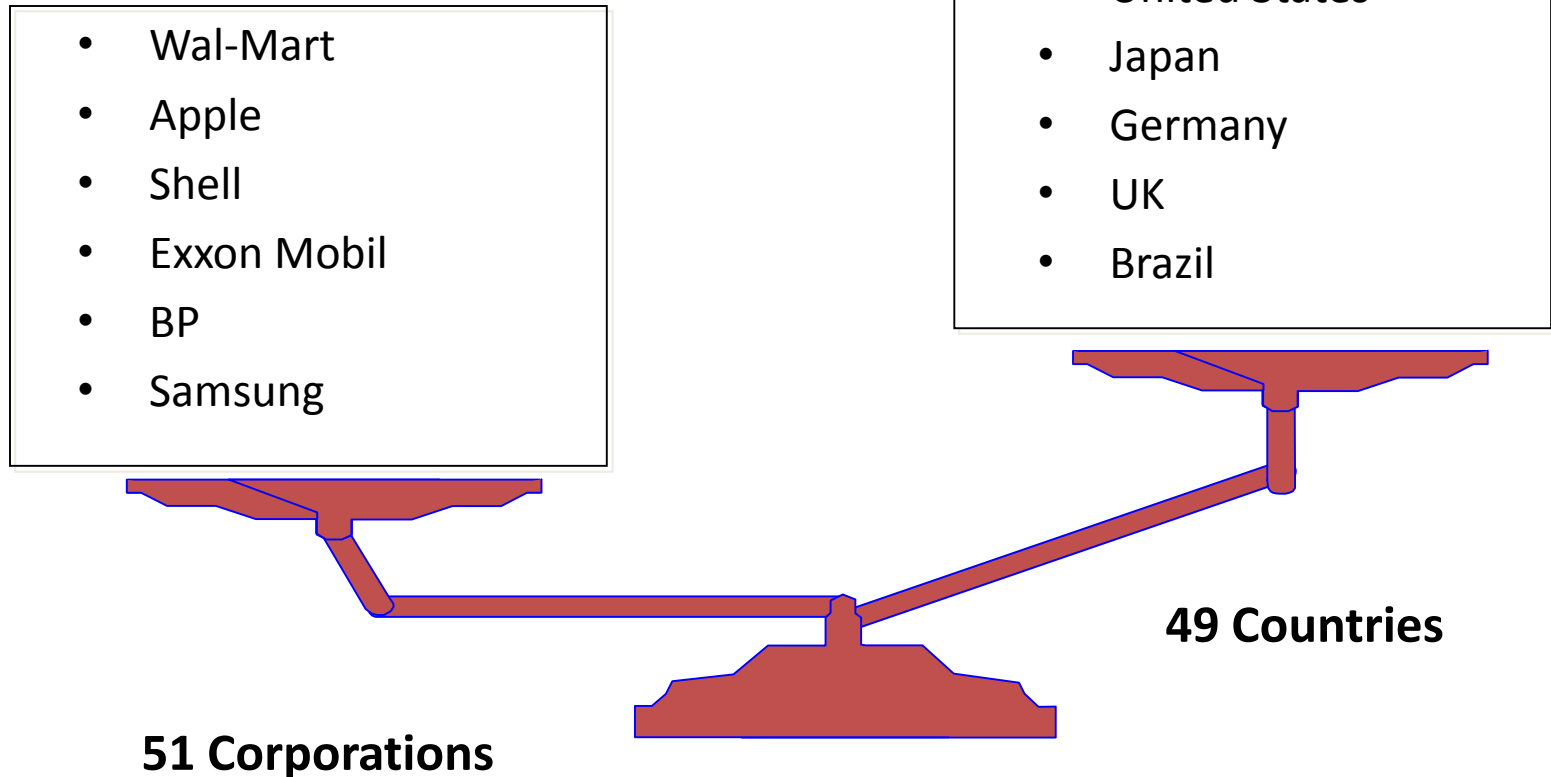
**U**ncertain

**C**omplex

**A**mbiguous



# World's 100 Biggest Economies (by GDP/Revenue)



**Companies Have More Money Than Countries**

# CEO's Are Starting to Speak Out



“We have to develop new ways of doing business which ensure that our growth does not come at the expense of the world’s diminishing resources.”

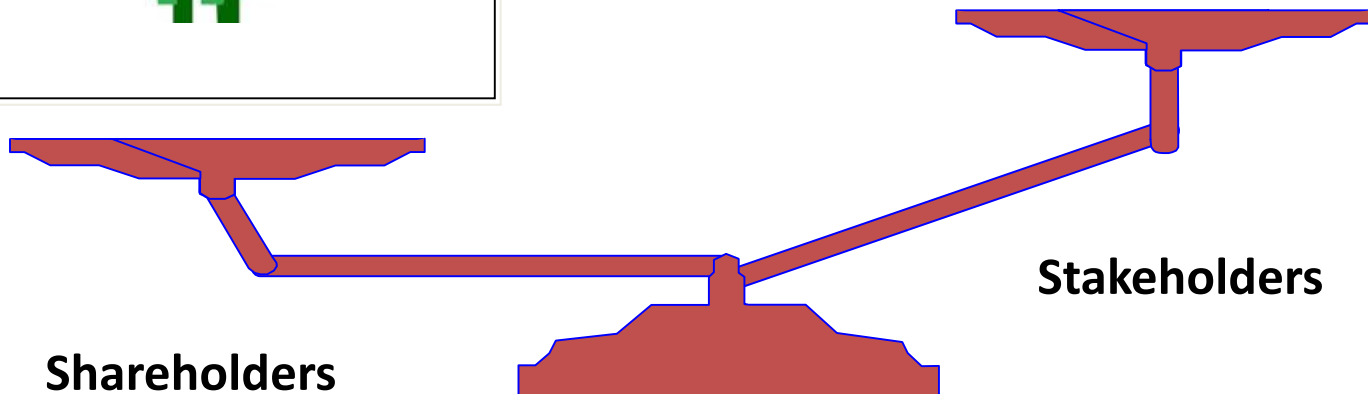
**Paul Polman, CEO Unilever,**



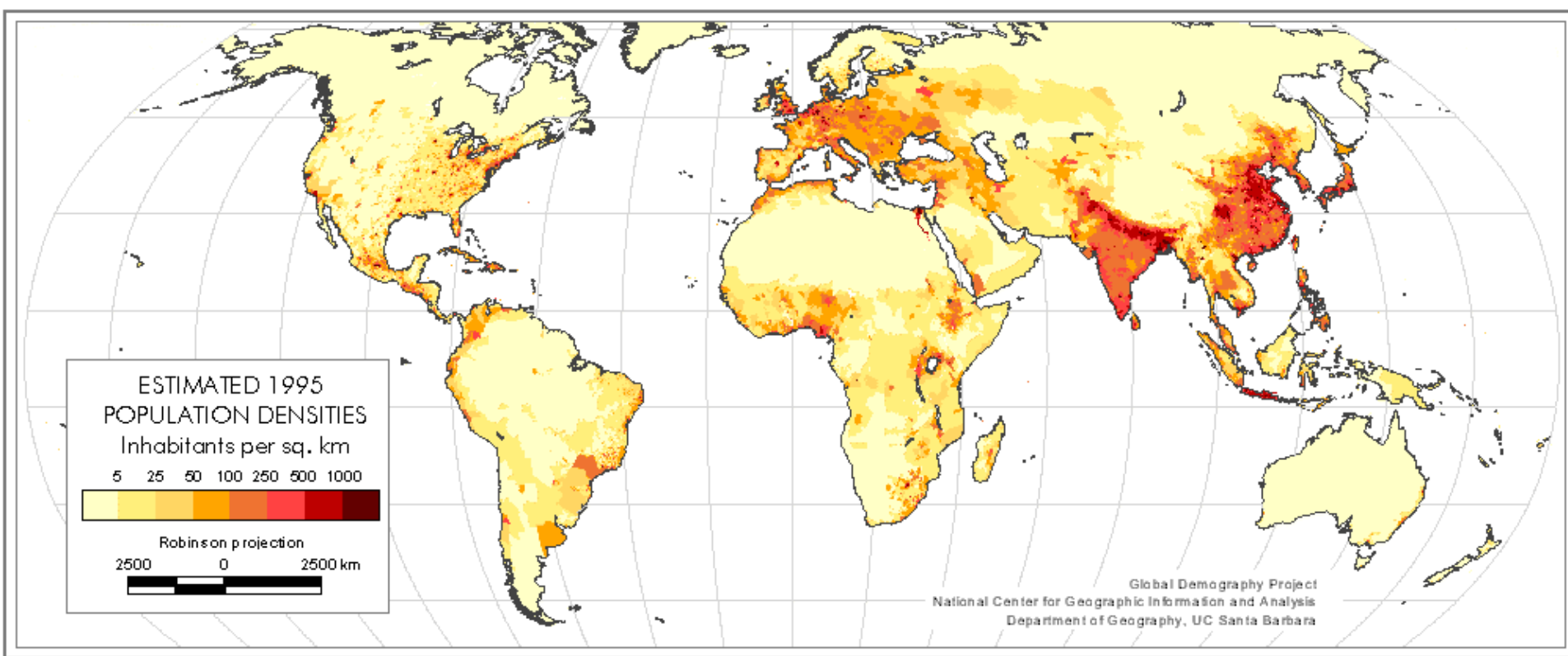
"We do a lot of things for reasons besides profit motive; we want to leave the world better than we found it."

**Tim Cook, CEO Apple**

# We Put Profits Ahead of People & Planet



# Population Growing & Ageing



9B people by 2050, same sized planet.

# Higher Energy Demands



How do we supply 40% more energy responsibly & affordably?



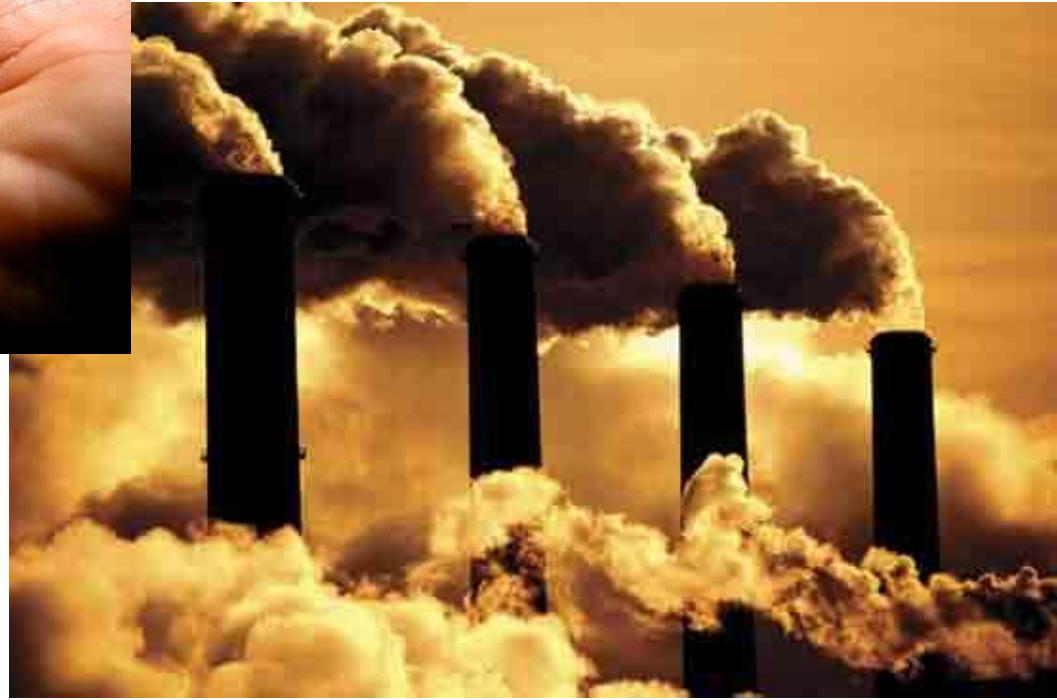
# Food & Water Challenges



How will we feed & hydrate 9 billion-people?



# Climate Change is Real & Fast-Moving



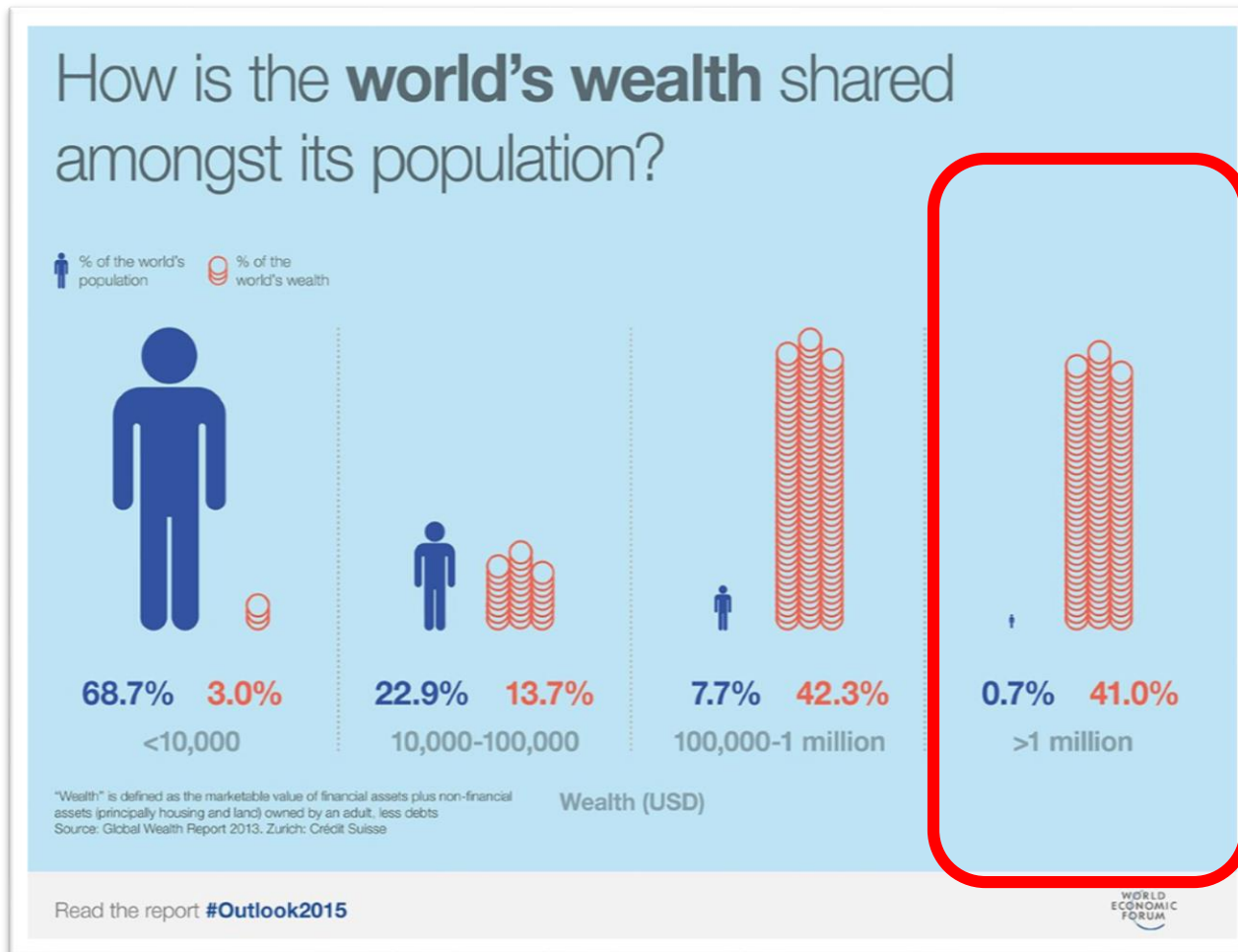
**Do we still have time?**

# Wealth Distribution & Income Gaps



Rich-Poor Gap Growing Fast  
Leads to Social Unrest

# 0.7% of population holds 41% of wealth



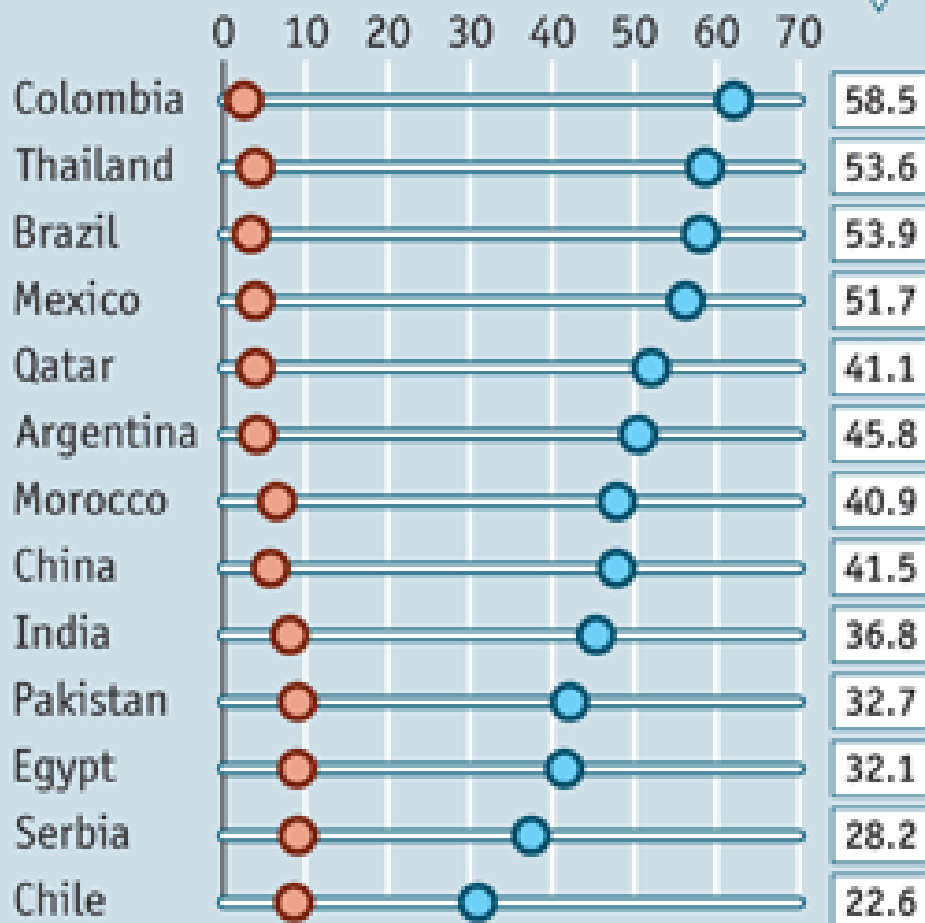
## Income equality

Percentage share of income held by\*:

● poorest 20%

● richest 20%

Gini index (100=perfect inequality)



Source: World Bank

\*Latest available year, 2005-09

# Women Make Companies More Sustainable







## Companies with Women on their Board Give More \$ to Charity

**FIGURE 1**

*Fortune 500 Companies: 2007 Average Philanthropic Donations by Number of Women Board Directors<sup>11</sup>*

**Zero  
Women Directors**

**Three or More  
Women Directors**



**\$969,000**



**\$27.1 MILLION**

- 
- In 2007, annual company contributions were **28 times higher** in companies with gender diverse boardrooms.
  - Looking historically (1997-2007), companies with more women board directors donated significantly more funds. With each additional woman, annual philanthropic giving **increased by \$2.3 million**.<sup>12</sup>



## Companies with Women in Leadership Give More \$ to Charity

**FIGURE 2**

*Fortune 500 Companies: 2007 Average Philanthropic Donations by Percent of Women Corporate Officers<sup>13</sup>*

**0% Women  
Corporate Officers**

**25% or More Women  
Corporate Officers**



**\$965,000**



**\$12.8 MILLION**

- 
- In 2007, annual company contributions were **13 times higher** in companies with gender-diverse leadership teams.
  - Looking historically (1997-2007), companies with more women Corporate Officers donated significantly more funds. For every additional percent increase in the presence of women Corporate Officers, annual philanthropic giving **increased by \$5.7 million**.<sup>14</sup>



# Improved Environmental Performance

## Companies with more women on their board:

- Take proactive steps to **manage & improve the energy efficiency** of their operations
- Measure & **reduce carbon emissions** of their products throughout the value chain
- Proactively **reduce the environmental impact of their packaging**
- Invest in **renewable power generation**





# Improved Social Performance

## Companies with more women on their board:

- Make efforts to **improve access to healthcare** in developing countries & for under-served populations in developed markets
- Offer products with an **improved nutritional or healthier profile**
- Proactively manage **human capital development**
- Offer **transparent financial products**



# Improved Governance Performance

Companies with more women on their board of directors are more likely to be companies that:

- Have programs, guidelines & clear policies to **avoid corrupt business dealings**; have **strong partnerships with local communities**; and have a **high level of disclosure and transparency**
- **Avoid controversies** such as accounting fraud, pricing fraud, criminal behavior among top executives, controversial customer practices and insider trading

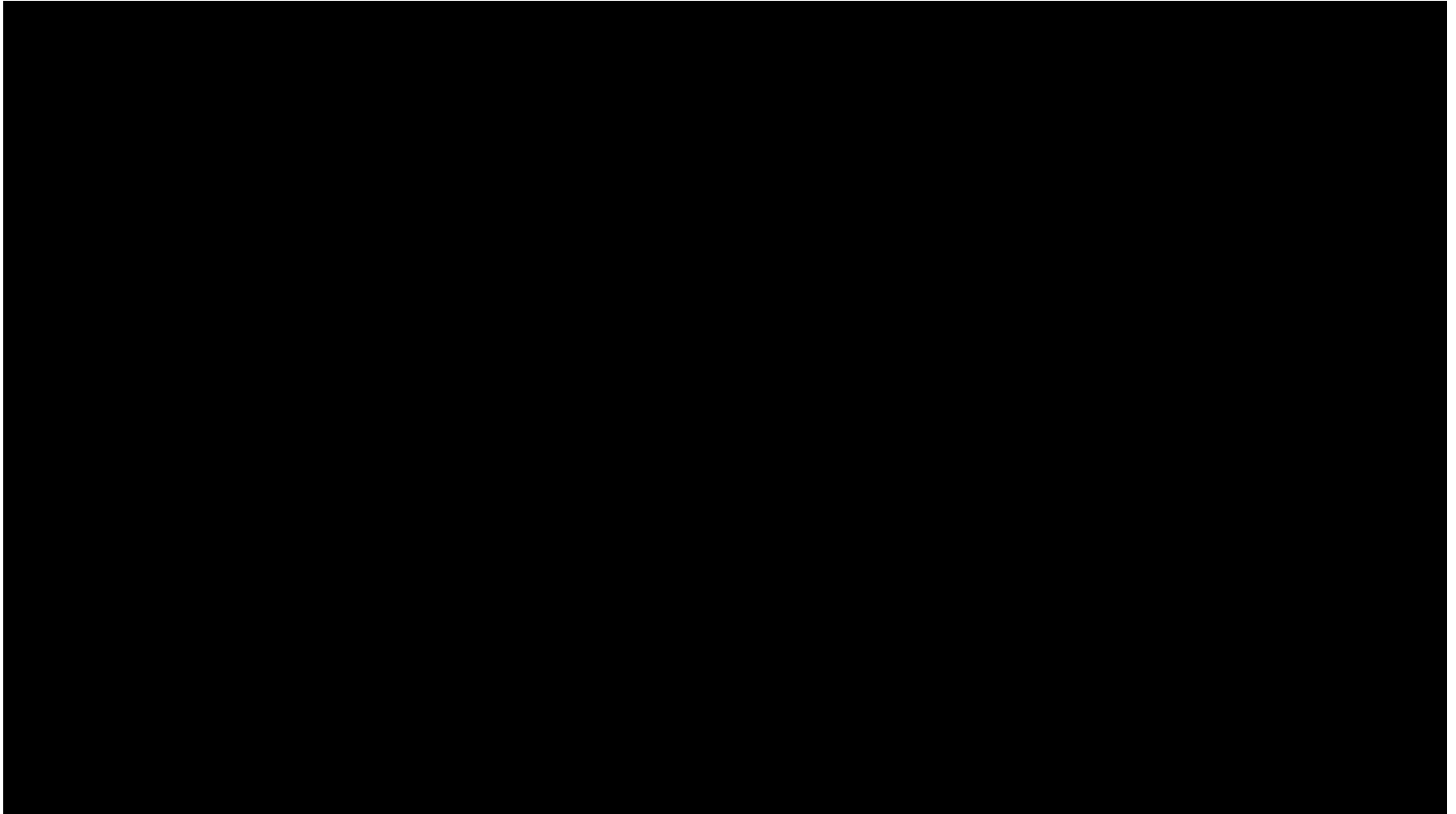
# Women = Fewer CEOs Taken to Jail



# **Corporate Sustainability Solutions**



# Innovative Products





# WATER<LESS

## Water<Less™ Jeans Are Here

An entirely new way of making jeans—available in a variety of styles online and in stores.

**SEE WATER<LESS™ JEANS**

JUST LOOK FOR THE SIGN:



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## WHAT IS WATER<LESS™ DENIM?

[Learn More](#)



# MAKING YOUR JEANS WITH RECYCLED WATER

LS&CO. COLLABORATES WITH FACTORIES TO USE LESS WATER

Water is a key component of jeans manufacturing. It's part of the finishing process that gives a pair of jeans its final appearance. Levi Strauss & Co.'s engineering expertise and strict recycled water quality standards helped a Chinese apparel factory implement an innovative water recycling system.

## MANUFACTURING

Using LS&Co.'s Recycled Water system, one of our supplier factories in China produced 100,000 pairs of Levi's® women's jeans while saving 12-million liters of water. That's enough to fill almost five Olympic-sized swimming pools.

## WATER TREATMENT

At all of the factories that make our products, water must be treated to meet LS&Co.'s strict global effluent standards.

Source: Levi's

LEVI STRAUSS & CO.

## WATER ENTERS FACTORY

## WATER EXITS FACTORY

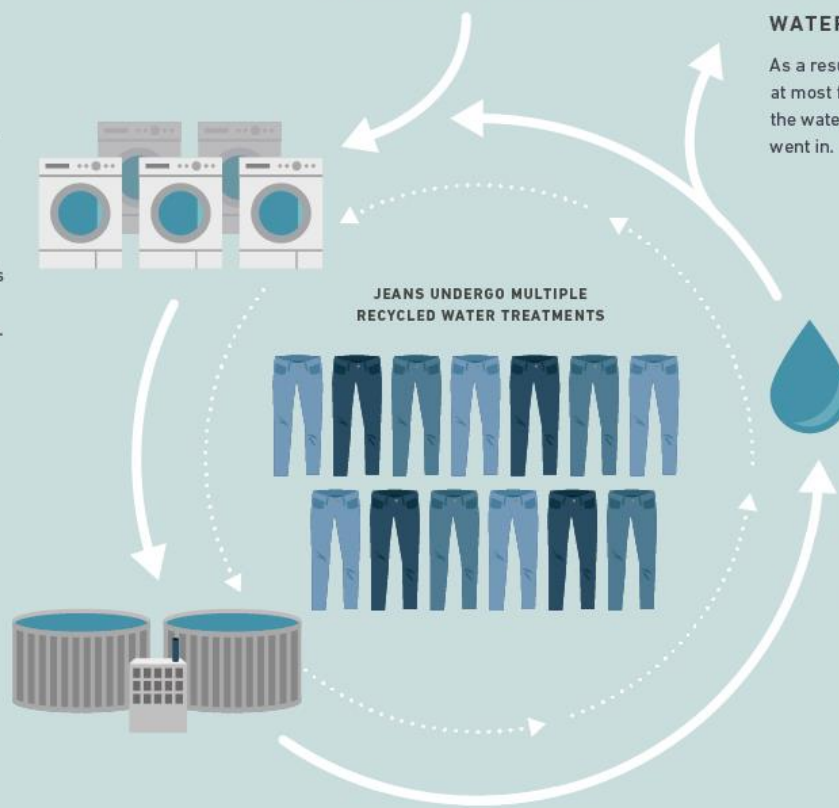
As a result of our strict water standards, at most factories that make our products, the water leaving is cleaner than when it went in.

## RECYCLED WATER TREATMENT

Our Recycled Water program provides additional treatment, allowing the water to be used again and again in the manufacturing process.

INNOVATIONS LIKE THIS RECYCLED WATER SYSTEM ARE PART OF OUR EFFORTS TO REDUCE THE COMPANY'S IMPACT ON THE PLANET.

LS&CO. PLANS TO COLLABORATE WITH OTHER FACTORIES AROUND THE WORLD TO EXPAND THE NEW SYSTEM'S IMPACT AND SAVE EVEN MORE OF THIS VITAL NATURAL RESOURCE.



# IMPROVING WORKER WELL-BEING





# CORPORATE CODE OF CONDUCT FOR SOURCING



The image shows the cover of a document titled "Levi Strauss & Co. Global Sourcing and Operating Guidelines BUSINESS PARTNER TERMS OF ENGAGEMENT". The cover features a light blue background with a world map in the top right corner. On the left side, there are four small portrait photos of diverse individuals. The Levi Strauss & Co. logo is prominently displayed in the center. Below the title, there are four sections of guidelines, each with a heading in orange and a description in black text.

**Levi Strauss & Co.**

**Global Sourcing and Operating Guidelines**  
**BUSINESS PARTNER TERMS OF ENGAGEMENT**

**Ethical Standards** We will seek to identify and utilize business partners who aspire as individuals and in the conduct of all their businesses to a set of ethical standards not incompatible with our own.

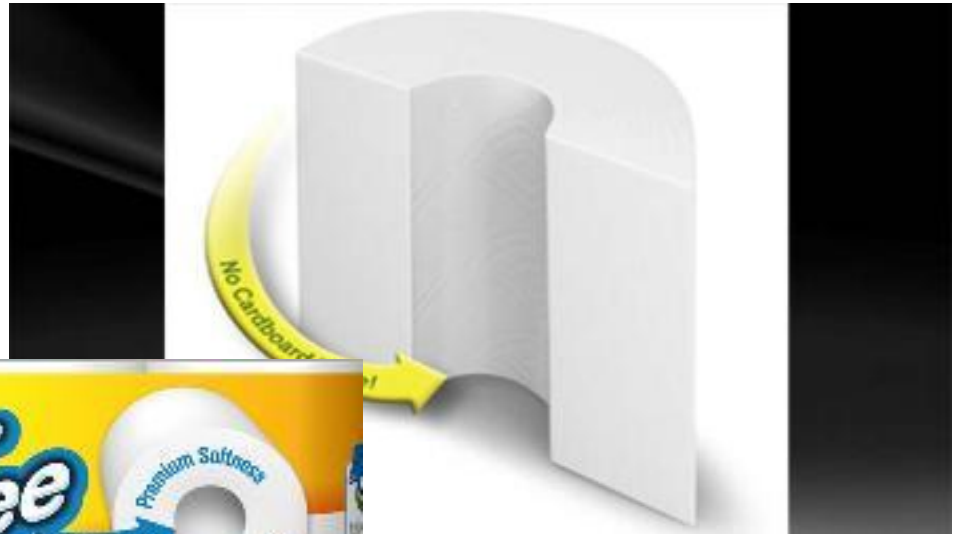
**Legal Requirements** We expect our business partners to be law abiding as individuals and to comply with legal requirements relevant to the conduct of all their businesses.

**Environmental Requirements** We will only do business with partners who share our commitment to the environment and who conduct their business in a way that is consistent with Levi Strauss & Co.'s Environmental Philosophy and Guiding Principles.

**Community Involvement** We will favor business partners who share our commitment to improving community conditions.



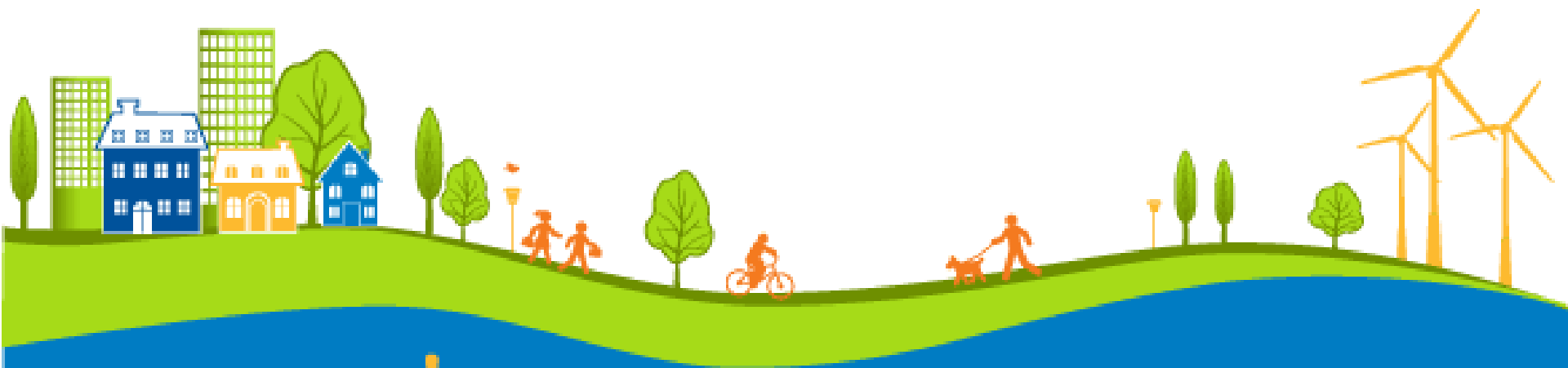
# Innovative Products





**CHIPOTLE**

**MEXICAN GRILL**



**Walmart**   
Sustainability.





**To create zero waste**

**To be supplied 100%  
by renewable energy**

**To sell products that  
sustain people and  
the environment**

# PUMA & Biodegradable Shoes

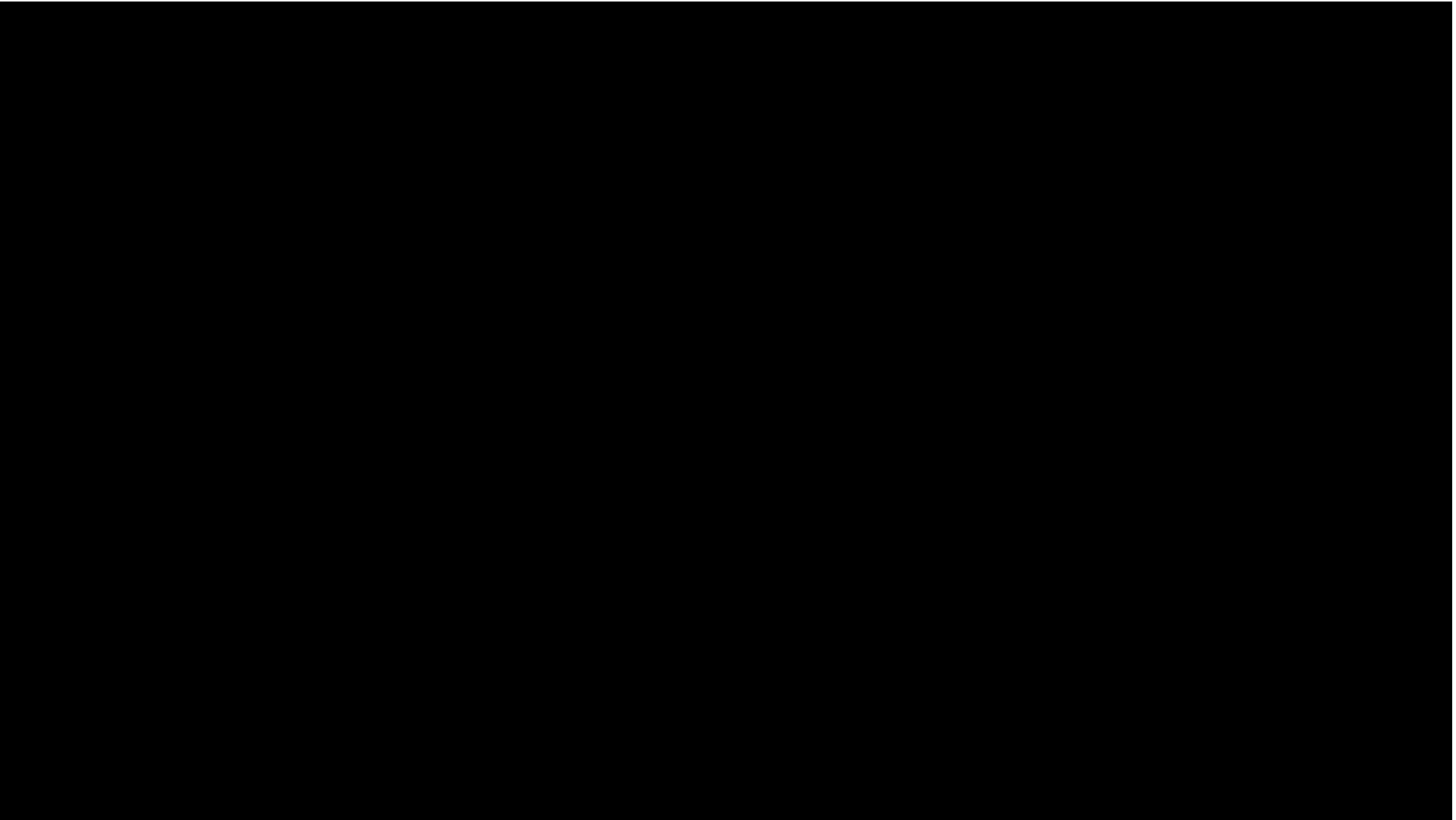




# InCycle



# Nissan Leaf





# *1-1-1 Integrated Philanthropy*



**Product:** Offering donated and discounted technologies to nonprofits and higher Ed

**Equity:** Providing grants inspired by our employees, technologies, and communities

**Time:** Promoting a culture of caring and helping employees give back

**Impact by the Numbers:**  
24,000 Nonprofit & Higher Ed  
customers, \$80 million in  
grants donated and 840,000  
volunteer hours served

# Buy One Give One



**TOMS**

One for One

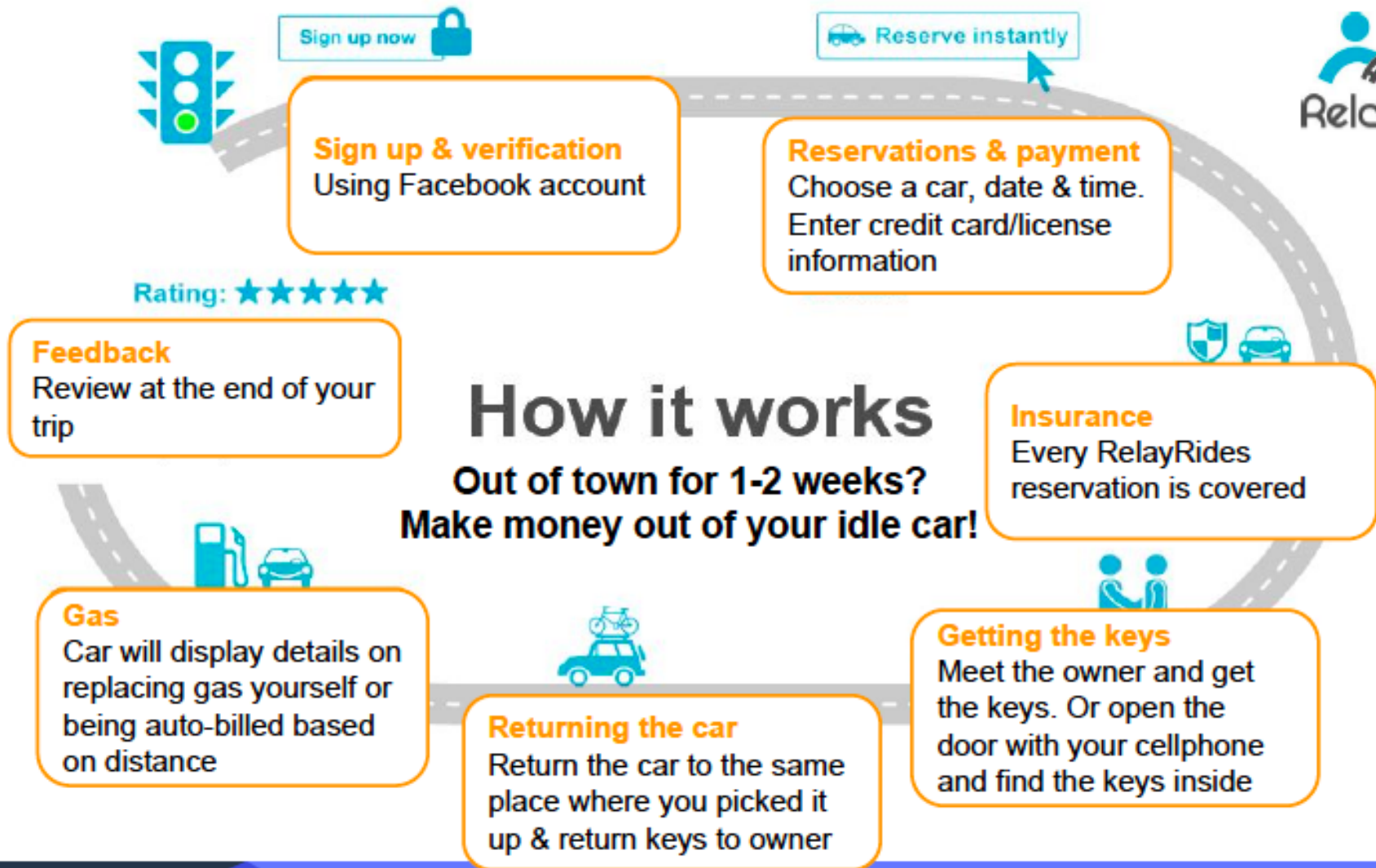
# Entrepreneurial Solutions



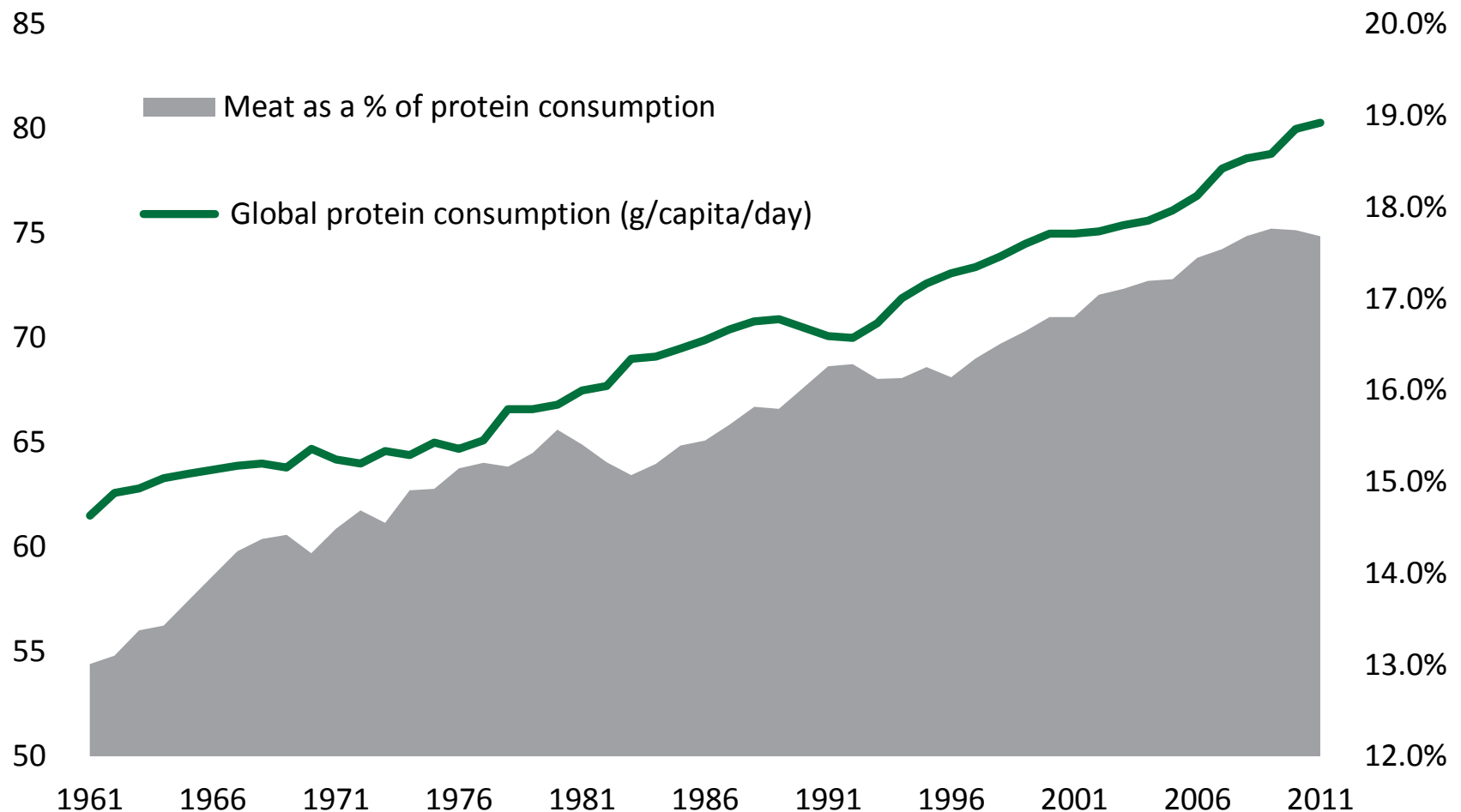
## **Colombia:**

- Average daily commuting time in Bogota: 70 min

# RelayRides offers a successful business model similar to the one developed by AirBnB...



# Trends | Shifting Diets



Global protein consumption has been growing rapidly, and is expected to continue to grow as emerging markets adopt Western diets



# Solution | Entomophagy (Eat Bugs!)

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- Over 1,900 species of insects known to be edible to humans
- Over 1,000 species of insects are known to be eaten in 80% of the world's countries
- About 2.5 billion people consume insects
- But rare in the developed world



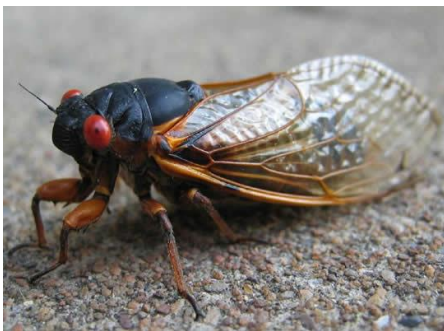
Cricket



Grasshopper



Caterpillar



Cicada



Beetle Grub



Scorpion



Tarantula



# Solution | Leading the Insect Protein Revolution

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Grain-free granola made  
from cricket flour



Chips made from beans,  
rice, and cricket flour

C R I T T E R   B I T T E R S

Cocktail bitters made with  
roasted crickets



Insect  
flours

Protein bars  
made from  
cricket flour



# Energy Efficient Buildings

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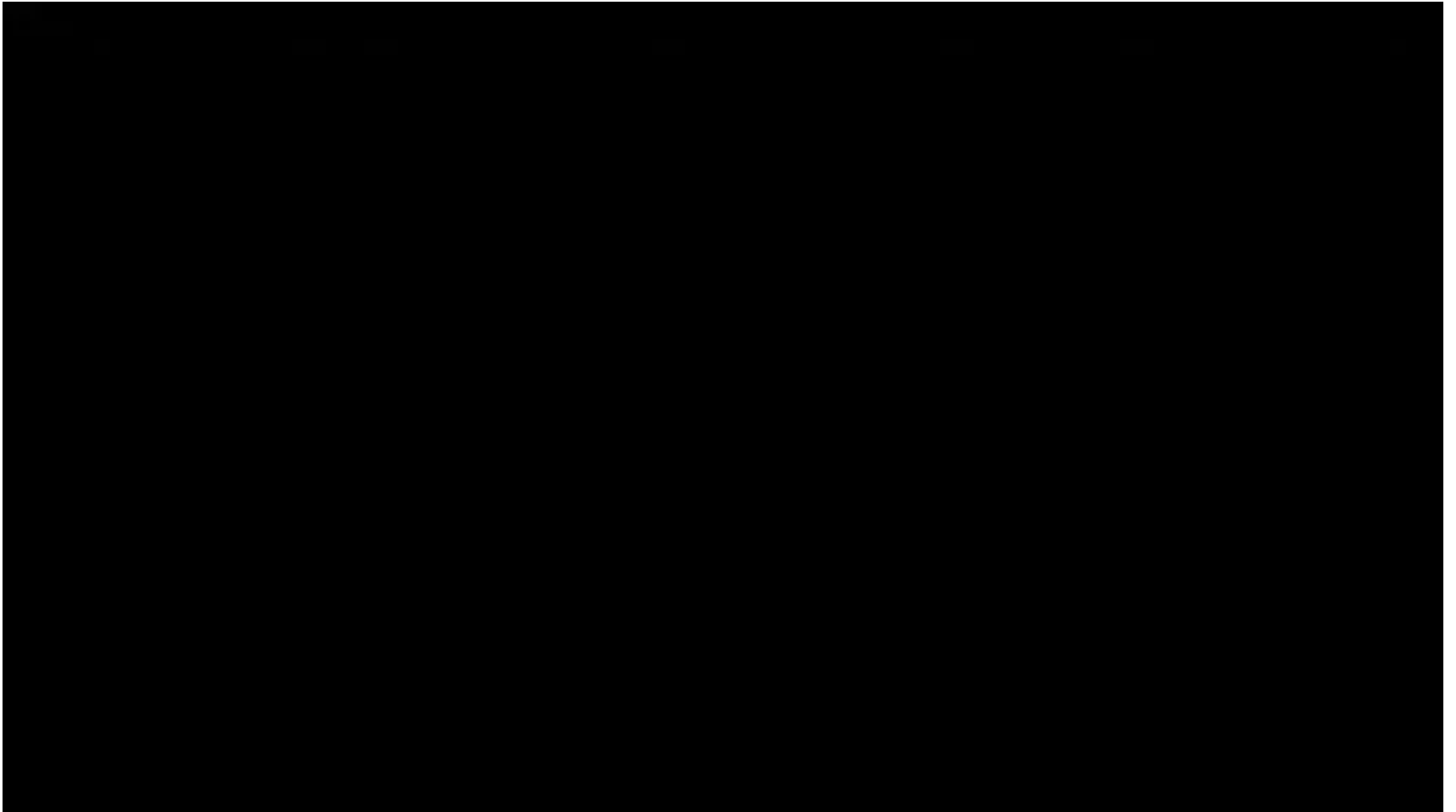
- **Buildings consume ~40% of global energy demand**
- Improving energy efficiency in buildings is the largest opportunity (19% of total benefits), and has the highest ROI
- Commercial / industrial buildings can enhance efficiency by >30%
- **Net zero energy buildings are feasible**



# **Finally, Best Practices**

- Start with CEO & Senior Leadership
- Develop a Sustainability Committee
- Connect with your business objectives
- Do what you do well
- Engage employees, suppliers, customers
- Measure impact & report
- Market & communicate
- Have fun!

# **Sustainability Brings Happiness**



# Did I Succeed?





***The only thing necessary  
for the triumph of evil  
is for good men  
to do nothing.***

- Edmond Burke

**MY CHALLENGE TO  
YOU?**

**Please don't leave here and do  
NOTHING.**



Professor Kellie A. McElhaney  
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